



New Jersey Department of Children and Families Policy Manual

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I. PURPOSE

The purpose of this policy is to outline the Department's requirements to obtain a Contract Modification. All material changes to the approved Contract shall be discussed and agreed to in writing by all parties through the Contract Modification process.

II. SCOPE

This policy circular applies to all Third-Party Social Service and Training Contracts.

III. DEFINITIONS

In addition to the terms defined in the DCF Contract Policy and Information Manual, the DCF Contract Reimbursement Manual, or the Standard Language Document (DCF.P2.01), the following terms, when capitalized, shall have meanings as stated.

Annex B Budget means the Attachments to the Contract Standard Language Document and Standardized Agreement containing financial information.

Budget Category means one of the major groupings of cost identified in the Contract Budget Annex B form.

Cluster means one or more service-related Programs designated by the Departmental Component and identified in the Contract.

Contract means one of the Department's social service or training Contracts with a Provider Agency. Terms and conditions of the Contract are included in the Standard Language Document, Annex(es), appendices, attachments and Contract Modifications (including any approved assignments and subcontracts) and

supporting documents. The Contract constitutes the entire binding agreement between the Department and the Provider Agency.

Contract Modification means the formal procedures entailing the Department's written approval on the DCF.P1.10 Contract Modification Form (Attachment 1) to allow certain programmatic and/or financial changes in the Contract during the contract term.

Cumulative Increase means the combined effect of all budget changes within a Budget Category.

Departmental Component means the division, bureau, commission, office, or other unit within the Department responsible for the negotiation, administrative review, approval, and monitoring of certain Third Party Social Service or training contracts.

Equipment means an article of nonexpendable tangible personal property having a useful life of more than two years and an Acquisition Cost of \$1,000 or more per unit. General purpose Equipment includes office Equipment, reproduction and printing Equipment, motor vehicles, and automated data processing Equipment, whether or not special modifications are needed to make the Equipment suitable for a particular purpose.

Final Contract Closeout is the process by which the Departmental Component determines that all applicable administrative actions and all required work of the Contract has been completed by the Provider Agency and the Departmental Component. This process includes reconciling the Final Report of Expenditures (FROE) with the Provider's audit and determining whether any funds need to be recovered.

Flexible Limits means an upper dollar limit which is established for each Budget Category, and which may not be exceeded without an approved Contract Modification. Flexible Limits are determined by adding an amount to the approved Annex B Budget.

Letter of Approval means the written correspondence between the Departmental Component and Provider Agency authorizing a Contract Modification pending the submission and approval of a DCF.P1.10 Contract Modification Form (Attachment 1).

Line Item means each entry of cost within a Budget Category listed in the Annex B Budget (e.g., the salary or wages for each position listed under the Budget Category of Personnel).

Mail means letter, e-mail or legible facsimile (fax) transmission.

Net Cost means “Total Cost” less “Revenue”.

Preliminary Contract Closeout means the process, whereby the Departmental Component reconciles the amount of funding paid to a Provider Agency during the Contract term against the final Report of Expenditures (ROE) or the latest ROE submitted by the Provider Agency to the Departmental Component, and also the “final” process through which the Department of Children and Families determines that all applicable administrative actions and all required work of the Contract, with the exception of the final audit, have been completed by the Department and the Provider Agency.

Program means a specific service and is generally represented by each column in the Contract Expense Summary of the Annex B Budget.

Reimbursable Ceiling means the cost of the Contract to the Departmental Component and the maximum payment to the Provider Agency.

Revenue means the total income generated by the Provider Agency from its Programs and activities.

Total Cost means all costs of the Provider Agency’s Programs, activities, and Equipment before Revenue

IV. POLICY

A. Contract Modifications are required under the following circumstances:

1. Change in the Reimbursable Ceiling
2. Increase in Total Cost
3. Change in the Contract term
4. Change in any Budget Category that exceeds the Flexible Limits as stated in this policy under Section IV. E
5. Transfer of budgeted cost across DCF Contracts, or Clusters as identified in the Contract
6. Transfer of federal and/or other revenue across DCF Contracts, or Clusters as identified in the Contract
7. Change to the method of allocating General and Administrative costs, including any changes in an approved indirect cost rate, its application, or increases/decreases to the indirect cost amount allocated to the contract
8. The addition or deletion of any Budget Category (A through M individually) from the Budget

9. The addition of Line Items within Budget Category (B) Consultants and Professional Fees
10. The addition of any item of equipment not in the approved budget, above \$5,000 per item
11. Change in the payment methodology
12. Change in the payment rate(s)
13. Change in target population
14. Change in contracted performance standards
15. Change in contracted level of service
16. Change in contracted staff/client ratios
17. Change in subcontractors providing direct services or subcontracted direct services (See Standard Language Document DCF.P2.01, section 5.02).

B. Authority and Exceptions

1. This Policy shall not supersede existing State of New Jersey or Department of Children and Families policies, including but not limited to those on Procurement, Revenue Sharing, Clusters, Reporting, Closeout, Audit Policies, the Contract Policy and Information Manual, the Contract Reimbursement Manual, or the Standard Language Document except that:

The Annex B Contract Expense Detail for Personnel (reporting of salary line items) is required for the third quarter expense report and the final Report of Expenditure (ROE). It is not required for the first quarter or second quarter interim expense reports.

2. The Department reserves the right to require that Provider Agencies submit a detailed Annex B Budget and supporting documentation indicating all adjustments to Budget Categories as an accompaniment to a Contract Modification. Conditions under which these items may be required include, but are not limited to, the following:
 - a. Inclusion of new initiatives;
 - b. Under-spending based on an expenditure report analysis;
 - c. A new Provider Agency;

- d. An unsatisfactory audit;
 - e. A failure to meet Contract performance indicators as defined in the Contract;
 - f. A reporting problem; and
 - g. An agency requiring intensive monitoring or technical assistance.
3. Failure to complete a required Contract Modification to the applicable Departmental Component may result in:
- a. Adjustments to the contract terms and conditions;
 - b. Notice of Contract Default;
 - c. Recoupment of funds; and
 - d. Other adjustments or actions as deemed necessary.

C. Procedures for Requesting a Contract Modification or a Pre-Approval

- 1. A Contract Modification may be requested by either the Provider Agency or the Department.
- 2. The Provider Agency may initiate a Contract Modification by submitting a written request to the Departmental Component. As specified in Section IV.D. of this policy, the Departmental Component shall respond in writing regarding its decision within ten (10) business days after receiving the initial request.
- 3. When a Contract Modification for cost-related services is initiated, the Provider Agency shall submit a revised Annex B Budget, the applicable DCF.P1.10 Contract Modification Form and any other Contract documents affected.
- 4. When a Contract Modification entails any change in rate information, the appropriate Departmental Component shall complete a revised Annex B-2: Contract Rate Information Summary.
- 5. The Departmental Component shall forward copies of the approved DCF.P1.10 Contract Modification Form and attachments to the Provider Agency and other offices as necessary for inclusion in the official contract file.

6. The Department must approve a Contract Modification prior to its effective date. Generally, a Contract Modification is not retroactive. There are five exceptions to this requirement:
 - a. In accordance with policy DCF.P9.02, Department and Provider Agency Monitoring of Budgeted Units of Service;
 - b. In a Cost-Related Contract where payment is based on a provisional rate, a retroactive Contract Modification may be required in conjunction with a revision of the provisional rate or the establishment of the final rate;
 - c. In a Non-Cost Related contract where payment is based on a rate established by an outside rate setting authority such as a home state, county, or other prime user; or
 - d. When the Department must do so in order to meet specific administrative and/or operational responsibilities or to promote contract efficiencies.

D. Approvals, Effect and Notification

1. Contract Modifications shall be approved or disapproved, in whole or part, by an official of the Departmental Component authorized to perform this function. This official shall sign the Contract Modification Form and shall enter the approved effective date.
2. A Provider Agency's use of Contract funds does not establish the Department's level of participation in the financing of successor Contracts.
3. The last approved Contract Budget and program Annex(es) for the Contract term are the documents of record, and they will be utilized when conducting the Preliminary Contract Closeout process. (Refer to DCF.P7.01 Contract Closeout).
4. A Contract Modification request must be received by the Contract Administrator prior to the last month of the Contract term. Subsequent requests will be reviewed at the discretion of the Departmental Component.
5. Within 10 business days of receiving a Contract Modification request from a Provider Agency, the Departmental Component shall approve or reject the request and issue a written response regarding its decision.
 - a. Letters of Approval shall stipulate that:

- i. The Provider Agency has been granted concept approval to proceed with the modification process;
 - ii. The Provider Agency must submit the required contract documents to the Departmental Component within ten (10) working days; and
 - iii. The Contract Modification is contingent upon submission and approval of a DCF.P1.10 Contract Modification Form (Attachment 1) and other required materials (i.e. Annex A changes, Annex B, Annex B-2, etc.)
- b. If the request is still under consideration at the end of ten (10) business days, the Departmental Component shall inform the Provider Agency in writing as to the reasons, and provide a date when a decision may be expected, such date shall not exceed thirty (30) calendar days from the date of receiving the completed materials.
 - c. A Contract Modification shall be deemed to be approved, if there is no written Departmental response within 30 calendar days from the date of receiving the completed materials.
- 6. Letters shall be presumed to be received by the addressee no later than five business days from the postmark, after being sent to the last address known by the sender. Transmissions that are not electronically date stamped shall be presumed to be received by the sender no later than five business days after being sent to the last address known by the sender.

E. Granting of Flexibility for Budget Management

- 1. A Provider Agency shall be granted flexibility in managing Contract budgets based on the establishment of Flexible Limits.
- 2. A Provider Agency shall be permitted to reallocate funds, within the Flexible Limits, without notice to a Departmental Component, and without a Contract Modification, except where any single condition specified in IV.A has occurred.
- 3. Flexible Limits shall apply only to an executed Contract.
- 4. Flexible Limits shall change only when a Contract Modification has been approved.
- 5. When Flexible Limits have been reached or are expected to be exceeded, a Provider Agency must request a Contract Modification by following the procedure specified in this policy.

6. A Departmental Component is not responsible for the effect of Provider Agency misapplication or miscalculation of Flexible Limits.
7. Separate Flexible Limits must be developed and applied for each Budget Category as described in IV.E.8:
 - a. Within a Cluster;
 - b. For Direct Costs (All costs that are not classified as General and Administrative); and
 - c. For General and Administrative costs.

8. Applicable Budget Categories and Allowable Budget Modification Flexible Limits are:

- a. Personnel Category, Category A

(This Budget Category has been split for modification purposes to treat Fringe Benefits separately from other Personnel Line Items).

- i. A Cumulative Increase in total salaries, excluding Fringe Benefits, of more than five percent (5%) from the approved Annex B Budget.
- ii. A Cumulative Increase in Fringe Benefit costs of more than fifteen percent (15%) from the approved Annex B Budget.

- b. Other Than Personnel, Categories B, C, D, F

(These Budget Categories have been consolidated for modification purposes except that "Specific Assistance to Clients" is maintained as a separate Budget Category).

A Cumulative Increase in the combined value of Other Than Personnel categories * of more than ten percent (10%) from the approved Annex B Budget.

The 10% Flexible Limit is applied only to the combined value of the following Annex B Budget categories, (B+C+D+F) x 10%:

- *(B) Consultants & Professional Fees
- *(C) Materials and Supplies
- *(D) Facility Costs
- *(F) Other

c. Specific Assistance to Clients, Category E

- i. All changes below the approved Annex B Budget require a modification.
- ii. A Cumulative Increase of more than fifteen percent (15%) from the Approved Annex B Budget requires a Contract Modification.

d. Equipment, Category I

- i. An item of equipment not included in the approved Annex B Budget of over \$5,000 per item requires a Contract Modification.
- ii. A Cumulative Increase of more than ten percent (10%) from the Approved Annex B Budget requires a Contract Modification.

9. Flexible Limits for the Budget Categories above are determined by calculating an amount based on the allowable Total Cost for the Budget Category as contained in the approved Annex B Budget. The allowable Total Cost for the Budget Category shall be adjusted by an amount as stipulated in IV.E.8 to create the Flexible Limit.

10. The calculation of the State's share of allowable costs, and of all other funds and revenues within the budget, shall be managed in the same manner upon which those funds and revenues are budgeted, regardless of whether a Contract Modification impacts Total Cost, Net Cost or Reimbursable Ceiling.

- a. Where it is clear that State funding is the "last dollar in" as in deficit funded contracts, the State's share of the modification shall always be presumed as the last dollar to be allocated.
- b. Where State and other funds are budgeted through the use of matching percentages, as in an approved federal financial participation rate (i.e. Title XIX), the State share of the modification shall be similarly calculated.

F. Required Forms

1. Contract Modifications that have no budget impact require Attachment 1 the DCF.P1.10 Contract Modification Form.
2. Contract Modifications that have a budget impact require Attachment 1, the DCF.P1.10 Contract Modification Form, and an Annex B Budget.

3. Contract Modifications that affect the Personnel Budget Category also require the Annex B Contract Expense Detail for Personnel. (This detail is also required with the initial budget and with the final Report of Expenditures).
4. The Annex B Contract Expense Detail for Other Than Personnel is required when a line item is added within Budget Category (B), Consultants and Professional Fees.
5. A Worksheet (Attachment 2) is provided as an example of the intended calculation of Flexible Limits under this Policy. The Provider Agency may request confirmation of Flexible Limits at any time. Such requests and confirmations do not serve, on their own, to alter Flexible Limits. The Worksheet is not a required document for any Contract Modification, or any other purpose.